

June 9, 2003

BRIEF "IMPORTANT NEWS" MAILING TO TRF COVERED EMPLOYERS:

Recently the Public Employees' Retirement Fund (PERF) and Indiana State Teachers' Retirement Fund (TRF) received approval from the Internal Revenue Service ("IRS") to permit some members to make additional voluntary contributions to their annuity savings accounts (ASAs) on a pre-tax basis. As a **TRF** employer, some of your employees with more than five years of service will be eligible to participate. This new program gives them a beneficial new option to enhance their **TRF** retirement savings through the additional contributions program.

Until 2001, the contribution to a member's **TRF** annuity savings account was set at a mandatory rate of three percent (3%) of compensation. Beginning in 2001, the Indiana General Assembly enacted a provision that allows PERF and TRF members to make voluntary contributions in addition to the mandatory three percent (3%) contributions. That change allowed any member to increase their annuity savings account contributions up to an additional ten percent (10%) of compensation per pay period. This means that the maximum level of contributions to a member's annuity savings account is thirteen percent (13%) of compensation per pay period.

New, beginning in September 2003, qualifying members who have five years of service will be able to make these additional contributions with pre-tax dollars. Under the IRS ruling, some very important limitations apply. For example, as a condition of the ruling an election to make pre-tax contributions may not be reduced or stopped until the member retires or goes to work for a different employer. The IRS requires that the election be "irrevocable." Over the summer, more detailed information will be sent to employers and members about this exciting new option and the requirements and qualifications.

As your employer's authorized representative, **it is important to note that before pre-tax contributions can begin, employers must approve the standard resolution to permit their employees to participate in the new pre-tax program.** This is a condition of the IRS ruling: there is no cost or risk to an employer from executing this resolution, other than the obligation to report and remit the additional pre-tax voluntary contributions of your employees.

Please plan on bringing this issue to your employer's governing body before September, 2003, so that your valued employees can make the choice to participate in the pre-tax program. The required language for the resolution is enclosed in this mailing. TRF will be forwarding to you more information regarding this issue in the next few weeks.

MODEL RESOLUTION

RESOLUTION FOR EMPLOYER PARTICIPATION IN THE PICK-UP OF ADDITIONAL EMPLOYEE CONTRIBUTIONS

WHEREAS, Indiana Code 5-10.2-3-2 authorizes Employers, pursuant to Section 414(h)(2) of the Internal Revenue Code, to pick-up and pay employee contributions to an employee's annuity savings account which are made in addition to the mandatory employee contribution ("additional employee contributions"), in accordance with rules adopted by the Indiana State Teachers' Retirement Board ("Board").

WHEREAS, the Board has adopted a rule governing the pick-up of additional employee contributions by Employers at 550 IAC ____ ("Elective Payroll Deductions for Additional Contributions") (hereinafter "Pick-Up Regulation");

WHEREAS, eligible employees of _____
("Employer") participate in the Indiana State Teachers' Retirement Fund ("TRF");

WHEREAS, it is in the Employer's desire to pick-up all of the additional employee contributions made by participating employees who are members of TRF;

NOW, THEREFORE, BE IT RESOLVED, that effective as of [date¹], the Employer desires to pick-up all of the additional employee contributions made by employees through a binding, irrevocable payroll deduction authorization. No additional employee contributions prior to the Employer's adoption of this Resolution shall be picked-up;

BE IT FURTHER RESOLVED, that said additional employee contributions, even though designated as employee contributions for state law purposes, are being paid by the Employer in lieu of said contributions by the employee;

BE IT FURTHER RESOLVED, that the Employer shall comply with all of the terms and provisions of the Pick-Up Regulation and applicable provisions of the Internal Revenue Code.

¹ Note: This date **MUST** be after the date that the resolution is adopted.

Dated this _____ day of _____, 20____.

(Secretary or Authorized Signature[s])

(Name[s])

(Title[s])